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LONG TERM BENEFIT DEPENDENCY: THE ISSUES

The Methodist Mission is the social service arm of Te Haahi Weteriana O Aotearoa, the Methodist Church of New Zealand in Otago and Southland. We have been providing social services and advocating for social justice for over 120 years. In our last financial year the Mission assisted 5542 people with a wide range of social service needs. We offer the following response to *The Issues*.

Introduction

1. We congratulate the Group in your willingness to undertake an unpopular task in a time of great social and economic stress. Additionally, the Mission notes the constraint of the three questions the Group has been tasked to resolve, and acknowledge that there simply are no easy answers.
2. The Mission's response falls into two sections:
 - a) A critique of "dependency" (question one) resulting in an assessment that the structure of the benefit system appropriate and that levels of take up relate to extrinsic causes.
 - b) An exploration of internationally researched and validated methods of engagement that produce more robust, more impactful, less "dependent", outcomes that also generate higher resiliency against future shocks in individuals and families likely to engage with the benefit system for longer periods.

"Dependency"

3. The Mission is concerned at the prevalence of the belief amongst some in public life that there is sufficient welfare take up to risk damaging the New Zealand Economy, that this take up is due to a "dependency" rather than economic exigencies, and notes that this belief appears to be comprised of a number of interrelating myths, including:
 - That reliance on benefits results from a lack of responsibility, that somehow those on benefits for any length of time are either wilfully avoiding work or in some other way choosing their benefit-reliant status. This requires that there be a high proportion of the national population, including large numbers of Maori and Pasifika, who would leech off others if they could.

The Mission is unaware of any evidence demonstrating this to be the case. To the contrary, our experience is that our clients loathe their reliance on benefits; the loss of dignity they often experience in their dealings with Work and Income (open plan offices, lack of allocated case worker, and deficit-centred approach of staff) and the difficulties of living on such a low income are felt to be damaging.
 - That benefit levels are sufficient for a person's economic needs and that there is therefore no incentive for them to work. This discourse contains within it two elements, that a) some people (perhaps all) would choose to avoid work if they could (suggesting that the only known benefit of work is the personal income it generates), and that b) benefit payment levels are if not luxurious then certainly above the poverty line.

- a) It is remarkable that a nation that is regarded overseas as full of hard-working, multitaskers, and compulsive volunteers, can see such indolence in itself! The Mission is unaware of any evidence for this assertion.
- b) The Mission draws the Group's attention to the fact that the current levels of benefit are below what would be the Poverty Line (internationally held to be 60% of the national median income) if New Zealand had one, at \$320 per week, double the rate of Unemployment Benefit for 18-24 year olds.

Internationally the Poverty Line is significant because it demarks the point below which it is no longer possible to achieve an adequate standard of living. In New Zealand benefits are so far beneath the Poverty Line that one could predict the emergence of significant signs of stress amongst those living on it for any length of time (including mental health dysfunction, alcohol and drug abuse, petty crime, acts of violence and vandalism).

- That those who have been on benefits for a short period of time are somehow more deserving than those who have been on benefits for longer. This meme requires that no matter the circumstance of an individual's needs, the context in which they live, or have been brought up within, there should be a time limit that delineates "deserving" from "undeserving".

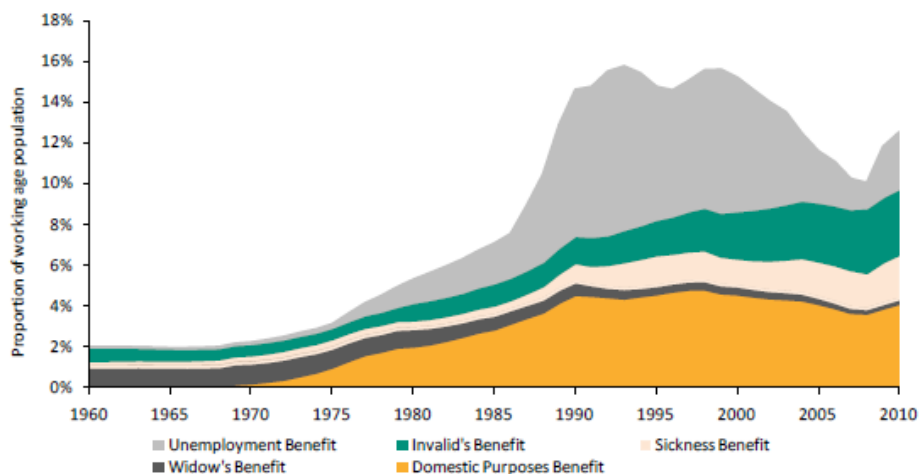
The Mission suggests to the Group that to consider a person or family outside of their context, is pragmatically to ignore what are both the causes of their lack of flourishing, and barriers to the complex work of redressing that situation. Which is to cause projects such as this one to fail before it even gets fully underway.

4. The Mission therefore cannot see that there is any evidence of an unentitled dependency on benefits. However, we do agree that there are an unfortunate and distressing number of people having to live on a benefit income, due to economic circumstances beyond beneficiaries' control. We note with some relief the Group's tacit acknowledgement of this on page 1 of the summary paper:

A growing dynamic economy, with a flexible labour market generating high levels of employment, is an essential foundation for successful social policies. Policies to encourage workforce participation so New Zealand makes best use of its human potential must be central to a programme for improving living standards. Upskilling and, where necessary, retraining must go hand in hand with job creation, so people are not shut out of well-paying jobs in a modern economy.

5. The Mission wishes also to add to the Group's analysis an economic overview, using the graph provided by the Group on page 9 of the summary report as a starting point.

Figure 3.3: The growth in the prevalence of benefit receipt among the working age population, 1960 to 2009



Note: The historical series is a count of main benefit payments. It is across all working age groups (18-64 year olds) and does not include partners.

Source: Ministry of Social Development Statistical Reports and Statistics New Zealand population estimates.

When the two international oil shocks (1973, 1979) (and recession), the near bankruptcy of the country and subsequent 1984-1988 economic liberalisation (and recession), the 1991 “Mother of All Budgets” and subsequent recession, and the 2008 “credit crunch” (and recession) are overlaid on the graph the Mission sees there is an exact match with sudden upward shifts in benefit take up.

There have been significant job losses from the New Zealand economy, in 5 successive waves in the last 40 years.

Due to the New Zealand economy being overly reliant on primary production for export earnings and therefore exposed to the vicissitudes of the commodities market, the low-wage nature of the economy, the distortive affect on the New Zealand dollar (and export earnings) from two decades of tight monetary policy, and the now evident inability of any government in the period to enact a comprehensive long-range vision for the economy to reverse these trends; these job losses have been cumulative.

We note, with some relief, that at least New Zealand has a welfare system to support those who have been caught, and caught again, by these successive economic crises.

The question the Mission asks of any attempt to remedy unemployment through a re-engineering of the supply side is this: where are the jobs?

6. However, it is not only the recessionary cycle that has contributed to the growth in unemployment in New Zealand. There is also the low-wage, low-inflation architecture of our economy contributing unemployment levels:
 - a) New Zealand’s low-wage economy has been subject to much recent comment in Parliament and the media given recent figures showing the gap in average wage between New Zealand and Australia has recently begun widening again.
 - b) Internationally accepted economic theory shows via the Phillips Curve the generally inverse relationship between inflation and employment in any economy.
 - c) The Mission draws to the Group’s attention, the requirement upon the Reserve Bank of New Zealand to keep domestic inflation within a 2-3% band.
 - d) We also note that low-wage economies rely upon an oversupply of labour to ensure demand for wages is restrained.
 - e) In an economies where there is a statutory minimum wage and an increased supply of labour (via higher unemployment) the price of labour can only drop so far, whereupon demand becomes almost infinitely elastic.
 - f) In New Zealand the adult minimum wage is two-thirds of the median weekly income (as reported by the Department of Statistics): there not much room for wage competition to deliver more jobs.

The answer to the Mission’s question is therefore that: structurally and either by design or by acceptance there are simply too few jobs for the working age population.

7. The Mission is aware from recent research published in the New Scientist (*Die Young, Live Fast*), *The Spirit Level*, and from Narrative Theory that it is entirely predictable the people, living on less than half the poverty line, subject to “dole bludger” narratives, and suffering from poor life outcomes implicated by unemployment (and its associate: low educational levels) are likely to:
 - a) Enter childbearing earlier and without a stable primary relationship (DPB uptake and transfer from UB);
 - b) Experience poor mental health (IB and SB update and transfer from UB).

And we draw this research to the Group’s attention, as with this understanding it can be seen that the economic conditions referred to above will have equally contributed to increases in all benefit classes under the Group’s consideration.

8. Finally, the Mission concerned that the Group’s use of the figure of \$50bn for the future cost of benefit uptake may have confused some readers, given the lack of a comparison to GDP. According to the Barr (Economics of the welfare state. New York: Oxford University Press) New Zealand is

21st out of 29 countries for Welfare Expenditure as a proportion of GDP, which suggests that New Zealand is doing rather better than worse in this area.

The Mission therefore suggests to the Group that the current Welfare System is in working as intended and as needed.

A Better Systems Application

Nevertheless, the growing level of anecdotal reports (reminiscent of the early 1990s for those of us for whom this is not the first recession or welfare “crisis”) of individuals and families struggling on benefits, with the associated (and sometimes consequent) long term poor life outcomes, and in their relationship with Work and Income, mean that even within the constraints of the Group’s remit, there is opportunity for improvement.

9. The Mission draws to the Group’s attention the well-established body of literature and research into strengths-based engagement models (also known variously and not exclusively as the resiliency model, client directed outcome informed practice, asset based community development, and results based accountability), as a brief sample:
 - a) www.heartandsoulofchange.com Duncan reports that client factors account for 40% of personal change and relationship (with their practitioner) factors accounting for 30% of personal change.
 - b) Wampold reports that the relationship between client and practitioner accounts for 54% of change (The Great Psychotherapy Debate, 2001).
 - c) The Treatment of Depression Collaborative Research Project (Archives of General Psychiatry, 46, 971-82.) shows that the single best predictor of outcomes in a psycho-social context is the client’s rating of the alliance between the practitioner and client.
 - d) See also: <http://www.familyservices.govt.nz/working-with-us/programmes-services/connected-services/ngo-capacity-building/results-based-accountability.html>
 - e) And: <http://www.bankofideas.com.au/>
 - f) And: http://en.wikipedia.org/wiki/Positive_psychological_capital
 - g) ProjectMATCH Group (1997). Matching alcoholism treatment to client heterogeneity. Journal of Studies on Alcohol, 58, 7-29. Babor, T.F., & Del Boca, F.K. (eds.) (2003). Treatment matching in Alcoholism. Cambridge University Press: Cambridge, UK. Connors, G.J., & Carroll, K.M. (1997).
 - h) The therapeutic alliance and its relationship to alcoholism treatment participation and outcome. Journal of Consulting and Clinical Psychology, 65(4), 588-98, ALL report that the client’s rating of their alliance with the practitioner was the single greatest predictor of positive outcomes, as did the Cannabis Youth Treatment Project.
 - i) VanBreda (2001) in a report to the South African Military Health Service, Military Psychological Institute, Social Work Research & Development, states that the factors most likely to impair resiliency are: loss of a sense of life coherence, lack of resourcefulness, and loss of control over one’s self or life, amongst other things.
 - j) In its briefing to the incoming Minister, the Ministry of Social Development drew attention to the lack of preventative, resiliency-enhancing measures in the social services sector.
 - k) The hallmarks of a successful intervention service as reported by the Australian National Centre for Vocational Education Research are the understanding that:
 - *People want to change.*
 - *The solution is already there (although not always immediately visible).*
 - *The focus is the future and the present, rather than the past.*
 - *The professional–client relationship is very important.*
 - *The practitioner shifts the client’s thinking and language from problems to solutions.*

- *There are times when the problem is not obvious or is constraining; these times can be retrieved and extended to become the way the client normally functions.*
 - *Insight and knowledge of the problem is not necessary; the focus is on solutions*
- l) The 2010 New Scientist report (6 March, page 43) that: Social psychologists have shown that pressuring people to change their minds often produces precisely the opposite of the desired effect: it makes them more resistant to change. This of course raises additional questions, the Mission believes within the Group's remit, as to the manner of engagement by state agencies with those on benefits. The Mission comments on strengths-based engagement in more detail below.

All the evidence shows extremely high correlation between the manner of engagement and the outcomes of engagement (regardless of the willingness, educational background, and psychological state of the client).

10. Along with the evidence of higher efficacy, especially with resistant, hard to reach, hard to engage clients; strengths-based delivery recognises that a lack of resources is not the same as a lack of solutions and therefore has the very great advantage of being predicated on the client taking responsibility for their:
- a) Hopes and aspirations
 - b) Expectations
 - c) Solutions
 - d) Pathways
 - e) Relationship with practitioners

Strengths-based delivery is cheaper, quicker, and more effective in both the short and long-term than the current problem-focussed modalities in social work and social services.

11. The Dunedin Methodist Mission, Wesley Community Action, Relationship Services, and others have all adopted the Client Directed, Outcome Informed (CDOI) model of strengths-based delivery, in New Zealand.
12. The entire Norwegian mental health system is using CDOI.
13. In the USA alone, CDOI has had over 300,000 applications, and has been referenced against all other existing evaluative models.
14. CDOI is applied in adult education, early childhood, primary school, social work, counselling, aged care, and community work contexts in New Zealand alone.

We invite you to consider a truly radical proposition: that it is not the system, but how we are applying it that causes the greatest dependency. There is a better way, and there are people available in New Zealand who can provide a comprehensive briefing to the Group.

Yours sincerely



Laura Black
Chief Executive